Office of the Auditor General of Canada

2012–13 Estimates

Performance Report

Approved

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FCA (New Brunswick)
Auditor General of Canada

The Honourable James Michael Flaherty, P.C., M.P.
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Message from the Auditor General of Canada

I am pleased to present the 2012–13 Performance Report of the Office of the Auditor General of Canada. The Office maintained a high level of productivity and experienced several changes during the year.

We continue to receive very positive assessments of the value of our work from the organizations that we audit and our clients, particularly parliamentarians. However, we note that the percentage of our performance audits being reviewed by parliamentary committees has decreased for the third year in a row. There has also been a slight decrease in the number of hearings and briefings in which we participated.

We are generally pleased with the actions taken by those we audit in response to our audit work. Audited entities addressed 61 percent of the qualifications in our financial audit reports from the 2011–12 fiscal year, which is an increase from 52 percent the previous year. In the follow-up performance audits we reported, departments had made satisfactory progress on 72 percent of our past recommendations. In addition, we identified no significant deficiencies in the three special examinations we completed during the year.

The Office made excellent progress against its three strategic priorities for the 2012–13 fiscal year. These were to do the following:

- complete the implementation of the Renewal of Audit Methodology project;
- begin the implementation of our Strategic and Operating Review proposal; and
- effectively manage the transition to a new Auditor General.

The final stages of the Renewal of Audit Methodology project were completed as planned. This major, multi-year initiative has resulted in state-of-the-art audit methodology and an updated quality control system, providing renewed assurance to parliamentarians and Canadians that they can rely on the quality of our work.

We are well advanced in implementing our Strategic and Operating Review proposal. In the 2012–13 fiscal year, we discontinued 17 of the 25 financial audits identified in the proposal and realized a number of reductions and savings from our corporate services. We expect to achieve the full amount of our budget and staff reductions as planned by the end of the 2014–15 fiscal year.

I was appointed Auditor General of Canada on 28 November 2011, taking over leadership of the Office from Interim Auditor General John Wiersema. The Office continued normal operations during the transition, completing all planned audit work. I presented my first report as Auditor General on 3 April 2012.

We began a review of the Office's strategic plan in the 2012–13 fiscal year, with a view to seeking opportunities to enhance the operation of the Office and the impact of our work. We expect to report the results of this work in our 2014–15 Report on Plans and Priorities.

At the end of March 2013, the Commissioner of the Environment and Sustainable Development, Scott Vaughan, left the position to pursue an opportunity at the International Institute for Sustainable Development. Mr. Vaughan had served as Commissioner since May 2008. We thank him for his valuable work and contribution to the Office and wish him all the best in his new role. I have appointed Neil Maxwell, Assistant Auditor General and Performance Audit Product Leader, to serve as Commissioner on an interim basis.

As we continue to work our way through these changes, I thank the staff at the Office of the Auditor General of Canada for their commitment to excellence and service to Parliament.

Michael Ferguson, CPA, CA
FCA (New Brunswick)
Auditor General of Canada
17 September 2013

Performance summary

Highlights

Of the parliamentarians we surveyed, 96 percent indicated that they "often" or "almost always" find our reports to be valuable. Survey responses from board and audit committee chairs indicate that over 90 percent "agree" or "strongly agree" that our work is valuable to them. Responses from senior managers in the organizations we audit also show that they perceive value in our work, with the survey results exceeding our targets.

We have strengthened our overall financial position, resulting in a lapse of $5.6 million for the 2012–2013 fiscal year. This lapse partly reflects actions taken by the Office as we began implementing our Strategic and Operating Review proposal. This positive financial performance puts us on track to achieve our proposed reductions in budget and staff.

We completed all of our planned audit work, with the exception of two financial audits and two special examinations. The special examination for the Canada Employment Insurance Financing Board was cancelled, as the organization was wound up, and the special examination for the Canada Lands Company Limited was delayed to allow us to take into account significant organizational changes in the corporation.

Results of our work

Engagement with parliamentary committees has again decreased: 30 percent of our performance audits were reviewed, compared with 48 percent in the 2011–12 fiscal year and 62 percent in the 2010–11 fiscal year. The total number of hearings and briefings we have participated in relative to the number of sitting days has also decreased.

Sixty-one percent of the qualifications and "other matters" noted in our financial audit reports from the 2011–12 fiscal year were addressed this fiscal year. Only two of the seven qualifications that were not addressed were auditing or accounting qualifications. The remaining five qualifications were for non-compliance with authorities, mainly for failing to file annual reports on time.

In our most recent status report, which was presented as three chapters within the 2013 Spring Report of the Auditor General, we found that departments had made satisfactory progress in addressing 72 percent (18 of 25) of the recommendations we made in the original performance audits. This result is up from the 62 percent finding in our June 2011 Status Report, although it is slightly below our target of 75 percent.

For the three special examinations that were completed in the 2012–13 fiscal year, no significant deficiencies were identified. For two of these examinations, deficiencies had been identified in the previous reports; all of these deficiencies have been addressed.

Federal ministers delivered 95 percent of responses to petitions on environmental matters within the 120-day time limit, compared with 96 percent in the 2011–12 fiscal year.

Areas for improvement

We have been working to improve our on-budget results in recent years. In the 2012–13 fiscal year, our results were improved for all of our products except performance audits where we expanded the

scope of a number of audits after budgets were set, and we experienced factors outside the control of the audit team.

Section I—Overview

Who we are

The Office of the Auditor General of Canada is the legislative audit office of the federal government. We are also the legislative auditor of the three territories. We conduct independent audits and studies that provide objective information, advice, and assurance to Parliament, territorial legislatures, governments, and Canadians. With our reports and testimony at parliamentary hearings, we assist Parliament and territorial legislatures in their work on the authorization and oversight of government spending and operations.

What we do

The Auditor General is an Officer of Parliament who is independent from the government and reports directly to Parliament. The duties of the Auditor General are set out in the *Auditor General Act*, the *Financial Administration Act*, and other acts and orders-in-council. These duties relate to legislative auditing and, in certain cases, to monitoring of federal departments and agencies, Crown corporations, territorial governments, and other entities.

The Office's main legislative auditing duties are

- financial audits,
- performance audits,
- special examinations, and
- sustainable development monitoring activities.

Financial audits

Our financial audits provide assurance that financial statements are presented fairly in accordance with the applicable financial reporting framework. Where required, we provide assurance that the organizations we audit comply, in all significant respects, with legislative authorities that are relevant to a financial audit. We also conduct financial audits of federal and territorial Crown corporations and of other organizations. We audit the summary financial statements of the Government of Canada and each of the three territories (Nunavut, Yukon, and the Northwest Territories).

If issues or opportunities for improvement in areas such as financial reporting and internal controls come to our attention during our financial audit work, we make recommendations to management. We also provide information and advice to help audit committees meet their responsibilities for the oversight of financial reporting and internal control.

Performance audits

Performance audits examine, against established criteria, whether government programs are being managed with due regard to economy, efficiency, and environmental impact, and whether the government has the means to measure and report on their effectiveness. Our reports contain recommendations for addressing the most serious deficiencies identified.

The *Auditor General Act* gives the Office the discretion to determine what areas of government it will examine in its performance audits. We may decide to audit a single government program or activity, an area of responsibility that involves several departments or agencies, or an issue that affects many departments and agencies. We consider requests for audits that we receive from parliamentary committees. However, the final decision about what to audit is made by the Auditor General.

Special examinations

Our special examinations assess the systems and practices maintained by Crown corporations. A special examination provides the corporation's board of directors with an opinion on whether there is reasonable assurance that there are no significant deficiencies in their systems and practices. A significant deficiency is a major weakness that could prevent the corporation from having reasonable assurance that its

- assets are safeguarded and controlled,
- resources are managed economically and efficiently, and
- operations are carried out effectively.

In addition to reporting on significant deficiencies, our special examinations highlight systems and practices that contribute to success, and provide information and recommendations to boards of directors about opportunities for improvement.

All parent Crown corporations except two are subject to a special examination by the Office to be conducted at least once every 10 years. The two exceptions are the Bank of Canada, which is exempt from this requirement, and the Canada Pension Plan Investment Board, which (under the *Canada Pension Plan Investment Board Act*) is subject to a special examination by an auditor who is chosen by the board of directors.

Sustainable development activities and environmental petitions

The Commissioner of the Environment and Sustainable Development assists the Auditor General in performing duties related to the environment and sustainable development. The Commissioner conducts performance audits to monitor the government's management of environmental and sustainable development issues and, on behalf of the Auditor General, reports to Parliament on issues that should be brought to its attention.

Under the *Kyoto Protocol Implementation Act*, the Commissioner was required to provide Parliament with a report every two years. Our final report under the Act was submitted in May 2012.

The Commissioner also administers the environmental petitions process. This includes monitoring responses to environmental petitions and reporting annually to Parliament on petition activities from the previous year, including instances where ministers did not respond to petitions within the 120-day

time limit specified in legislation. The Office of the Auditor General considers issues raised in petitions when planning future audits.

Assessments of agency performance reports

The legislation governing the Parks Canada Agency, the Canadian Food Inspection Agency, and the Canada Revenue Agency previously required the Auditor General to periodically assess the fairness and reliability of the performance information reported in their annual reports against the corporate objectives they provided to Parliament. As a result of our Strategic and Operating Review, this legislation has been amended. We conducted our final assessment of agency performance reports during the 2012–13 fiscal year.

Public Servants Disclosure Protection Act investigations

Under the *Public Servants Disclosure Protection Act,* the Auditor General has the mandate to investigate disclosures by public servants of wrongdoing that concerns the Office of the Public Sector Integrity Commissioner. If we determine that allegations of wrongdoing are founded, we must submit a case report to Parliament. Of the three cases we closed this year, none resulted in a case report to Parliament.

Professional practices

In order to ensure the reliability and consistency of our audit work, the Office makes an ongoing investment in professional practices. This investment supports

- the development and maintenance of up-to-date audit methodology, guidance, and audit tools;
- communication and training to promote consistency in the application of audit methodology and the Office's System of Quality Control; and
- the provision of advice on the interpretation and application of professional standards, Office policies, audit methodology, and the System of Quality Control.

Through the Professional Practices Group, the Office works with other legislative audit offices and professional associations, such as Chartered Professional Accountants of Canada, to advance legislative auditing methodology, accounting and auditing standards, and best practices. We regularly participate in external reviews of other national legislative audit offices and are the subject of external reviews.

International activities

Our international strategy guides our international activities and positions the Office to meet future opportunities and challenges. This strategy was updated for the 2012–13 fiscal year. (See "Our international contribution" in Section II for more details.)

Strategic outcome and results summary

The strategic outcome of the Office of the Auditor General is to contribute to better-managed government programs and better government accountability to Parliament through our legislative auditing work.

We have identified a number of results that we expect to achieve with our audits in the short, medium, and long term:

- In the short term, we want to engage Parliament and federal and territorial organizations in the audit process, ensure that Parliament is well informed about our work, and maintain support for our role and work.
- In the medium term, we want to assist Parliament in holding the government to account; make our work relevant to federal and territorial organizations, departments, agencies, and Crown corporations; and ensure that the public is well informed about our work.
- In the long term, we want our work to lead to more effective, efficient, and economical government programs and operations and to programs that foster sustainable development.

Exhibit 1 summarizes our impact and financial results.

Exhibit 1—Results summary

<table>
<tr><td colspan="3">Strategic outcome: We contribute to a well-managed and accountable government for Canadians.</td></tr>
<tr><td colspan="2">Expected Results
• Parliament and territorial legislatures are well informed.
• Parliament, territorial legislatures, and federal and territorial organizations are engaged in the audit process.
• Parliament and territorial legislatures hold government to account.
• Our work is relevant to federal and territorial organizations, departments, agencies, and Crown corporations.
• The media and public are well informed.
• Support for our role and work is maintained.</td><td>2012–13 Results
We completed
• 29 performance audits and 1 study
• 114 financial audits
• 3 special examinations</td></tr>
<tr><td>Objectives</td><td>Indicators and targets</td><td>2012–13 Results</td></tr>
<tr><td>Key users of our reports are engaged in the audit process.</td><td>Percentage of audits that are reviewed by parliamentary committees: Maintain.
Number of parliamentary hearings and briefings we participate in relative to the number of sitting days: Maintain.</td><td>Level of engagement of parliamentary committees has decreased.</td></tr>
<tr><td>Our work adds value for the key users of our reports.</td><td>Percentage of users who find that our audits add value: 90% for all audit types.</td><td>Target was met for financial audits and performance audits.
Target was met for special examinations.[1]</td></tr>
<tr><td>Our work adds value for the organizations we audit.</td><td>Percentage of senior managers who find that our audits add value:
• 80% for financial audits and special examinations
• 70% for performance audits</td><td>Target was met for financial audits and performance audits.
Target was met for special examinations.[1]</td></tr>
</table>

Exhibit 1—Results summary (continued)

Objectives	Indicators and targets	2012–13 Results
Key users of our reports and the organizations we audit respond to our findings.	For financial audits, the percentage of qualifications and "other matters" that are addressed from one report to the next: 100%. For performance audits, the percentage of recommendations examined in our follow-up audits for which progress has been assessed as satisfactory: 75%. For special examinations, the percentage of significant deficiencies that are addressed by the organizations we audit between examinations: 100%.	Target was not met for financial audits or performance audits. • Financial audit entities addressed 61% of qualifications and "other matters" we reported in the 2011–12 fiscal year. • Performance audit entities made satisfactory progress in implementing 72% of recommendations we examined. Target was met for special examinations.[1]

Legislative auditing activity[2]	2012–13 Budget[3] ($ millions)	2012–13 Actual spending ($ millions)	2011–12 Actual spending ($ millions)
Financial audits of Crown corporations, territorial governments, and other organizations, and of the summary financial statements of the Government of Canada	45.4	45.2	47.2
Performance audits and studies of departments and agencies[4]	38.5	39.6	38.0
Special examinations of Crown corporations	4.5	2.8	2.7
Sustainable development monitoring activities and environmental petitions	2.1	1.8	1.3
Assessments of agency performance reports	0.4	0.2	0.6
Professional practices	11.1	10.1	13.5
Total cost of operations	**102.0**	**99.7**	**103.3**
Less: Costs recovered[5]	(0.7)	(0.8)	(0.8)
Net cost of operations	**101.3**	**98.9**	**102.5**

[1] Only five special examination surveys were completed in the 2012–13 fiscal year; all of these survey results were positive.

[2] The cost of audit services is allocated to each legislative auditing activity.

[3] Budget amounts are as reported in our 2012–13 Report on Plans and Priorities (as planned spending 2012–13).

[4] This amount includes environmental and territorial government audits and studies.

[5] The net costs recovered include respendable revenue from the National Professional Practices Group and from the audit of the International Labour Organization, which we audit on a cost-recovery basis.

We gather information on the impact of our work, and we have established indicators and targets to measure the results for our three major activities: financial audits, performance audits, and special examinations. The following section describes the main activities, expected results, performance objectives, indicators and targets, and planned financial resources for each of these activities.

We have a set of organizational performance measures, presented in the following section, which help us monitor whether

- our work is delivered on time and on budget,
- our audit reports are reliable, and
- we provide a respectful workplace.

Tables summarizing all of our targets and actual performance, and a rationale for how we define our targets, appear in Section III—Supplementary Information.

Section II—Reporting on Results

Our priorities for the 2012–13 fiscal year

The Office of the Auditor General identified three strategic priorities for the 2012–13 fiscal year:

- continuing to successfully implement the Renewal of Audit Methodology (RAM) project,
- beginning to implement our Strategic and Operating Review proposal, and
- effectively managing the transition to a new Auditor General.

Continuing to successfully implement the Renewal of Audit Methodology (RAM) project

This multi-year project was undertaken to provide our staff with the tools, training, and change management support they need to conduct high-quality audits. This project

- renews our audit methodology,
- establishes a sustainable process for ensuring that our methodology remains current, and
- updates the design and documentation of our System of Quality Control.

In the 2012–13 fiscal year, we focused on the final components of the project—namely, putting in place additional guidance in our financial audit practice, providing related training and effective change management support, and monitoring the application of the new methodology across all three product lines.

This project was fully implemented by 31 December 2012. This major, multi-year initiative has resulted in state-of-the-art audit methodology and an updated quality control system, providing renewed assurance to parliamentarians and Canadians that they can rely on the quality of our work.

Beginning to implement our Strategic and Operating Review proposal

The Government of Canada introduced the Strategic and Operating Review as part of Budget 2011, with the goal of achieving $4 billion in fiscal savings by the end of the 2014–15 fiscal year. All federal departments and agencies were required to submit proposals that identified areas in which savings could be generated. Our Office received a letter from the Minister of Finance that strongly encouraged us to adhere to the spirit and intent of the Strategic and Operating Review initiative. We responded positively to this request and carried out a review of our Office.

We proposed to make reductions of approximately $6.5 million annually, resulting in a 10 percent reduction in our Office staff by the end of the 2014–15 fiscal year. Our parliamentary appropriations approved for the 2012–13 fiscal year were $93.8 million, down from $94.6 million in the previous fiscal year. We used $88.2 million of these appropriations, resulting in a lapse of $5.6 million. Our use of 603 full-time equivalent staff in the 2012–13 fiscal year, compared with the total of 640 in the 2011–12 fiscal year, represents a reduction of almost six percent. We expect to achieve the full amount of our budget and staff reductions, as planned, by the 2014–15 fiscal year.

Most of the reductions to our audit work are in our financial audit practice. We had considered both risk and value in assessing the financial audits that we conduct and had identified 25 financial audits to

be discontinued. The necessary legislative amendments to enable us to discontinue these audits were passed under the *Jobs, Growth and Long-term Prosperity Act* of 2012. As of 31 March 2013, we had discontinued 17 of these audits. Given that we had reduced our performance audit practice in recent years, we made no further reductions to this audit work in the 2012–13 fiscal year. We also achieved several reductions and savings in our corporate services.

Effectively managing the transition to a new Auditor General

Michael Ferguson was appointed as Auditor General of Canada, effective 28 November 2011. Mr. Ferguson presented his first report as Auditor General on 3 April 2012. During this transition, all planned audit work was undertaken and the transition was completed smoothly. In July 2012, the Office began the renewal of its strategic plan. We are undertaking a comprehensive review of what we do and how we do it in order to identify areas in which we can make meaningful improvements to better serve Parliament and Canadians. We expect to communicate the results of this review in our 2014–15 Report on Plans and Priorities.

Performance by product line

Indicators of impact

We measure our impact and performance for our three main product lines:

- financial audits of Crown corporations, federal and territorial governments, and other organizations;
- performance audits and studies of departments and agencies; and
- special examinations of Crown corporations.

The following sections summarize the results for each of these products during the 2012–13 fiscal year.

Financial audits of Crown corporations, federal and territorial governments, and other organizations

Financial audits answer the following questions:

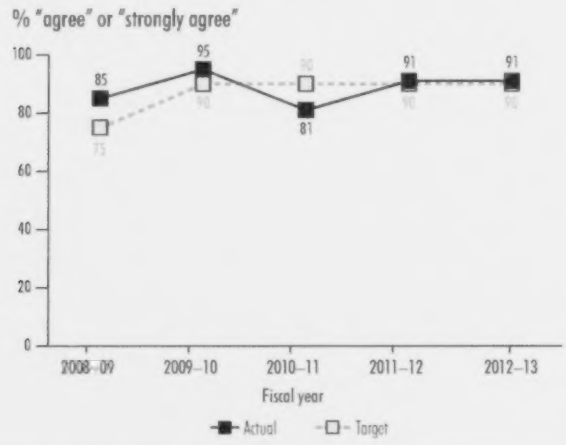
- Are the annual financial statements of Crown corporations, the federal and territorial governments, and other organizations presented fairly?
- Are these entities complying with their legislative authorities?

Our work adds value for key users of our reports and for the organizations we audit. To help us understand the value perceived in our financial audits, we survey the chairs of audit committees and other bodies responsible for the oversight of financial reporting, and the senior managers in the organizations we audit.

Our target is 90 percent for responses from audit committee chairs indicating that they find that our audits add value. In the 2012–13 fiscal year, an average of 91 percent of responses were "agree" or "strongly agree" for the five statements used to measure value added. This percentage is unchanged from the 2011–12 fiscal year.

Exhibit 2 shows the trend in responses from audit committee chairs.

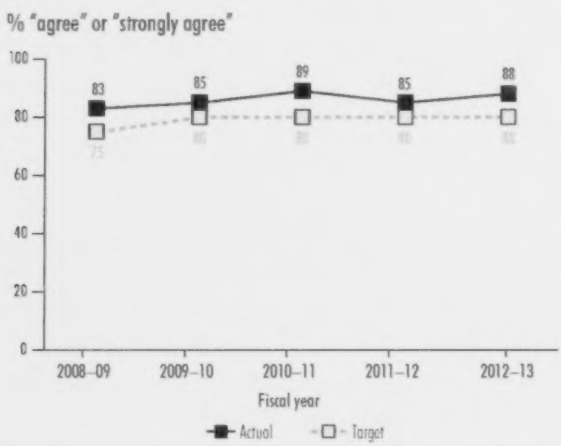
Exhibit 2—Financial audits add value for audit committee chairs



Our target is 80 percent for responses from senior managers of Crown corporations and large departments who "agree" or "strongly agree" that our financial audits add value. On average, 88 percent of responses from senior managers surveyed in the 2012–13 fiscal year indicate that they agreed or strongly agreed that our financial audits add value (Exhibit 3).

Exhibit 3 shows the trend in responses from senior managers.

Exhibit 3—Financial audits add value for senior managers



Key users of our reports and the organizations we audit respond to our findings. For our financial audits, we monitor the corrective action taken by the organizations we audit in response to qualifications and "other matters" contained in our audit reports. Our indicator is the percentage of qualifications and

"other matters" that are addressed from one report to the next. While we do not control whether organizations respond, our target is that they address them all. Of the 23 qualifications and "other matters" we reported in the 2011–12 fiscal year, 5 were related to recurring issues identified over multiple reporting years. Of the remaining 18 qualifications, 11 (61 percent) were addressed in the 2012–13 fiscal year. Of the 7 that were not addressed, only 2 were auditing or accounting qualifications; 5 were for non-compliance with authorities, mainly for failing to file annual reports on time.

In our financial audit reports, there are three types of qualifications that can be presented, corresponding to the following three circumstances: the financial statements are materially misstated (qualified opinion or adverse opinion); the auditors are unable to obtain sufficient appropriate audit evidence (qualified opinion or disclaimer of opinion); and the organization failed to comply with legislative authorities.

Our reports may also include "other matters"—for example, comments concerning an organization's financial sustainability or ability to fulfill its mandate.

Exhibit 4 summarizes the qualifications and "other matters" in the audit reports we issued in the 2011–12 and 2012–13 fiscal years.

Exhibit 4—Qualifications and "other matters" issued in the financial audit reports for the 2011–12 and 2012–13 fiscal years

Fiscal year	Number of audit reports that contained qualifications or "other matters"	Total number of qualifications or "other matters"	Qualifications			Number of "other matters"	Qualifications and "other matters" reported in prior year addressed in current year (%)
			Inability to obtain sufficient appropriate audit evidence	Materially misstated financial statements	Compliance with authorities		
2011–12	16	23	10	1	12	0	52%
2012–13	8	12	3	0	5	4	61%

In the 2012–13 fiscal year, there were no disclaimers of opinion included in the inability to obtain sufficient appropriate audit evidence (compared with four such disclaimers of opinion in the 2011–12 fiscal year). Qualifications related to the inability to obtain sufficient appropriate audit evidence included two reports regarding inventory issues (four in the 2011–12 fiscal year) and one report regarding pension plan payments (none in the 2011–12 fiscal year).

Of the five qualifications related to issues of non-compliance with authorities, three involved late tabling of annual reports or financial statements (compared with nine in the 2011–12 fiscal year), and two were other non-compliance issues (compared with three in the 2011–12 fiscal year). These compliance qualifications arose in the following jurisdictions: the Northwest Territories (1), Nunavut (1), and federal entities (3).

The "other matters" were instances where we were required to draw the attention of the reader of the financial statements to the government's decision to dissolve the organizations. Of the four "other matters," two were for the same entity because two audits were completed during the 2012–13 fiscal year.

Performance audits and studies of departments and agencies

Performance audits answer the following questions:

- Are federal government programs well managed?
- Have the programs been run with due regard to economy, efficiency, and their environmental effects?
- Does the government have the means to measure the programs' effectiveness where it is reasonable and appropriate to do so?

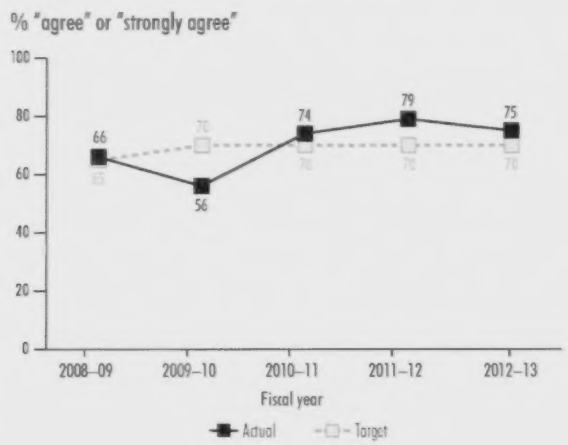
Our Office also conducts studies. Among other things, studies can identify criteria for future audits or document subjects of particular interest to Parliament.

In the 2012–13 fiscal year, we completed 29 performance audits and one study. A list of performance audits and studies planned for in our 2012–2013 Report on Plans and Priorities, including their planned and actual reporting dates, is included in Section III—Supplementary Information.

Our work adds value for the key users of our reports. We periodically survey the members of parliamentary committees that review our performance audit reports. For the 2012–13 fiscal year, 96 percent of parliamentarians surveyed agreed that the work of the Office of the Auditor General is "often" or "almost always" valuable to them. This result compares favorably with that of 93 percent from our last survey, obtained for the 2009–10 fiscal year.

Our work adds value for the organizations we audit. After each performance audit is tabled in Parliament, we survey senior management of the organizations that we have audited. Our target is to have 70 percent of the responses from senior management indicate that they "agree" or "strongly agree" that our performance audits add value for them. For audits completed in the 2012–13 fiscal year, an average of 75 percent of responses from senior managers indicated that they "agree" or "strongly agree" that our audits add value (Exhibit 5).

Exhibit 5—Performance audits add value for senior management



Key users of our reports are engaged in the audit process. Once our reports are submitted to Parliament, they are referred to the Standing Committee on Public Accounts. The reports of the Commissioner of the Environment and Sustainable Development are referred to the Standing Committee on Environment and Sustainable Development. Although many parliamentary committees draw on our work, the Office's main relationship is with the Standing Committee on Public Accounts.

Our appearances before committees assist parliamentarians in fulfilling their oversight role and give us the opportunity to increase awareness and understanding of the issues raised in our reports. We therefore monitor the level of involvement of parliamentary committees by tracking the percentage of our audits that are reviewed by committees. We also assess the committees' level of interest in our reported findings by looking at how frequently they ask us to appear before them to further elaborate on our findings.

Parliamentary committees are engaged in the audit process; however, we have seen a continued decrease in both of our indicators. In the 2012–13 fiscal year, parliamentary committees reviewed 30 percent of our performance audit reports, which is down from 48 percent in the 2011–12 fiscal year, and from 62 percent in the 2010–11 fiscal year. We participated in 27 committee hearings and briefings. This is a decrease from 29 hearings and briefings in the 2011–12 fiscal year and 46 in the 2010–11 fiscal year. For further information on these indicators, see Section III—Supplementary Information, "Our performance indicators and measures," Indicator Table 1.

As was the case last year, we participated in four hearings and briefings in the northern legislative assemblies.

Key users of our reports and the organizations we audit respond to our findings. Departments and agencies are responsible for taking corrective action and improving their management practices in response to our audit findings. Departmental chief audit executives are responsible for routinely reporting to their departmental audit committee on whether management's action plans have been implemented and whether there is reason to question the effectiveness of the actions taken. Departmental audit committees are responsible for advising the organization's deputy head on the effectiveness of arrangements in place for monitoring and following up on management action plans that respond to recommendations from our Office.

Periodically, we conduct audits that follow up on the government's progress in implementing recommendations we made in previous performance audits. We audit selected recommendations and findings from prior reports to determine if progress in addressing them has been satisfactory. In our most recent status report, presented in the form of three chapters within the 2013 Spring Report of the Auditor General, we found that satisfactory progress had been made in 72 percent (18 of 25) of the recommendations we examined, which is up from the 62 percent finding in our June 2011 Status Report.

Special examinations of Crown corporations

A special examination of a Crown corporation answers the following question:

- Do the systems and practices used by Crown corporations provide reasonable assurance that assets are safeguarded and controlled, that resources are managed economically and efficiently, and that operations are carried out effectively?

In 2012–13, we reported on the special examinations of three corporations: Farm Credit Canada, the Canadian Broadcasting Corporation, and the Old Port of Montreal Corporation Inc.

In the 2013 Spring Report of the Auditor General of Canada, Chapter 11, Special Examinations of Crown Corporations, we presented the main points of the special examination reports that were issued to the boards of directors of these audited Crown corporations and that have since been made public. No significant deficiencies were identified in these special examination reports. However, in the case of the Old Port of Montreal Corporation Inc., we have some concerns about situations where considerable improvements should be made to the management of travel and hospitality expenses. We also found that some decisions that management made were not always properly documented.

Legislation requires the board of directors of Crown corporations to submit the special examination report to the appropriate Minister and the President of the Treasury Board within 30 days after the day on which it receives the report. The board must also make the report available to the public within 60 days after it receives it.

Our work adds value for the key users of our reports and for the organizations we audit. To help us understand the value perceived in our special examinations by the users of these reports and by the organizations we audit, we survey board chairs and chief executive officers. For the three special examinations we carried out in the 2012–13 fiscal year, we received responses from two board chairs and three representatives of senior management. Due to the small number of respondents, detailed results are not presented. However, we do follow up if issues are raised or where opportunities arise to improve our performance. Over the past several years, the feedback we have received has been positive and consistent with our targets.

Key users of our reports and the organizations we audit respond to our findings. We monitor the corrective action taken in response to significant deficiencies reported in our special examinations. Our indicator is the percentage of significant deficiencies that are addressed by the organizations we audit between examinations. Our target is 100 percent. This indicator is currently under review, because the extension of the mandate to perform a special examination every 10 years, instead of every 5 years, brings the future timeliness of the indicator into question.

For the three special examinations completed in the 2012–13 fiscal year, each had been previously examined within the past eight years. Farm Credit Canada, one of the three Crown corporations examined, had no significant deficiencies reported in the previous special examination. The other two corporations, the Canadian Broadcasting Corporation and the Old Port of Montreal Corporation Inc., had addressed the significant deficiencies reported in the previous special examinations.

Sustainable development activities and environmental petitions

Sustainable development activities. In the 2012–13 fiscal year, the Commissioner of the Environment and Sustainable Development released two reports. These spring and fall reports contained

- the annual report on environmental petitions;
- a report on hydraulic fracturing for shale gas;
- a study on federal support to the fossil fuel sector; and
- five audit reports, which covered topics ranging from Atlantic offshore oil and gas to marine protected areas.

The Commissioner's 2012 Fall Report raised a common question—namely, whether environmental protection was keeping pace with economic development. The Commissioner noted that the expected boom in natural resource development brings not only economic opportunities but also environmental challenges. A key challenge in expanding Canada's development and export of natural resources, from oil and gas to minerals and metals, will involve meeting or exceeding the environmental standards and consumer expectations of foreign markets. Trade cases continue to underscore that the environmental characteristics of a product, as well as how it is processed and transported, can affect market access and consumer choice. Therefore, from an economic perspective, it is vital that Canada's environmental protection keeps pace with economic development.

The House of Commons Standing Committee on the Environment and Sustainable Development held a hearing on the Commissioner's 2012 Spring Report. The House of Commons Standing Committee on Natural Resources and the Standing Senate Committee on National Finance held hearings on the Commissioner's 2012 Fall Report.

Environmental petitions. The *Auditor General Act* requires that we monitor and report annually to Parliament on environmental petitions received from Canadians. The Commissioner reports on the quantity, nature, and status of petitions received and on the timeliness of ministers' responses. The annual report on environmental petitions was included in the Commissioner's 2012 Fall Report.

In the 2012–13 fiscal year, the Office received 16 environmental petitions. Ministers delivered 95 percent of responses to petitions on environmental matters within the 120-day time limit, compared with 96 percent in the 2011–12 fiscal year.

The Office's audit work continues to be informed by issues raised in environmental petitions. Recent audit work in our Office has benefited from knowledge gained through petitions and responses. For example, in the 2012 Fall Report of the Commissioner of the Environment and Sustainable Development, Chapter 3, Marine Protected Areas, we examined the federal government's action regarding the development of the Bowie Seamount Marine Protected Area, which had been the subject of Petition 337. In addition, as part of its monitoring role, the Office may follow up on issues raised in federal government responses to environmental petitions. Part II of the Commissioner's 2012 Fall Report, Chapter 5, Environmental Petitions, provided an update on the federal government's action related to its response to Petition 317. In this petition, the petitioners expressed concerns about the toxicity of chemicals used in hydraulic fracturing and the lack of public disclosure about these chemicals.

Organizational performance

We measure and manage our performance as an organization in a number of ways. The following section describes our key performance objectives, measures, and targets, along with our performance in the 2012–13 fiscal year.

Delivering work on time and on budget

On time

We completed 47 of 49 financial audits of federal Crown corporations on time (96 percent). The audits of Downsview Park Inc. and the First Nations Statistical Institute were not completed on time. For financial audits of other federal organizations with a statutory deadline, we completed 20 of these 22 audits on time (91 percent). The two exceptions were the audits of the Canadian Polar Commission and the National Research Council of Canada.

For audits of federal organizations without a statutory deadline, we target 150 days after the end of the financial reporting period for the completion of our work. In the 2012–13 fiscal year, we completed 14 of the 15 audits on time (93 percent), exceeding our target of 80 percent.

Historically, territorial financial audits have presented some unique challenges, including entity management not being adequately prepared for our audits. In the 2012–13 fiscal year, we completed 20 of these 24 audits on time (83 percent). This performance represents an improvement over the 2011–12 result of 56 percent and the 2010–11 result of 31 percent. In our continued efforts to improve this result, we maintain a dialogue with senior management of the organizations we audit in the north.

The Office determines when individual performance audit reports will be presented to the House of Commons, as there are no statutory deadlines for these reports. However, we communicate to the House of Commons Standing Committee on Public Accounts our planned schedule for submitting performance audits for the coming fiscal year and measure our on-time performance against this plan. In the 2012–13 fiscal year, 100 percent of the Office's performance audits were on time, exceeding our target of 90 percent.

In our 2012–13 Report on Plans and Priorities, we listed plans to present 29 performance audits and one study during the 2012–13 fiscal year. These reports were presented as planned, but the 2012 Fall Report of the Commissioner of the Environment and Sustainable Development was presented in February 2013, and the 2013 Spring Report of the Auditor General of Canada was delayed until April 2013.

A list of performance audits and studies planned for in our 2012–2013 Report on Plans and Priorities, including their planned and actual reporting dates, is included in Section III—Supplementary Information.

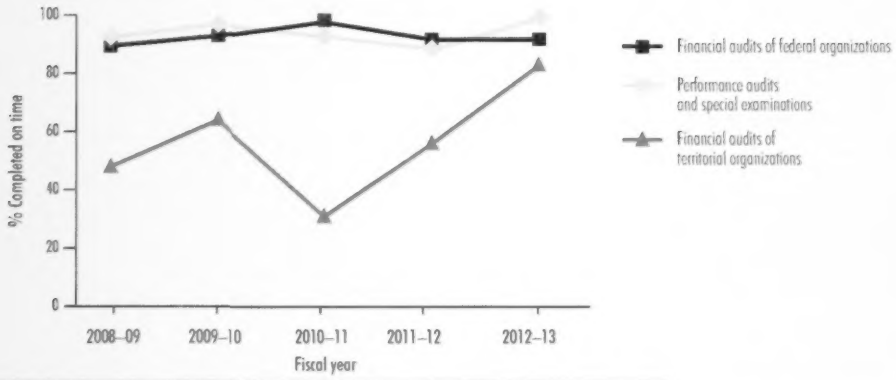
Three of the five special examinations that we included in our 2012–13 Report on Plans and Priorities were delivered as planned, on or before the statutory deadline. We did not complete the examination of the Canada Lands Company Limited, which has been delayed until 2014 to allow us to take into account significant organizational changes in the Crown corporation; however, we have not exceeded the statutory deadline for reporting on this special examination. The examination of the Canada

Employment Insurance Financing Board has been cancelled because the corporation was wound up by Order in Council, effective 7 March 2013.

A list of special examinations planned for in our 2012–13 Report on Plans and Priorities is included in Section III—Supplementary Information.

Exhibit 6 shows the trends in our performance for producing our audits on time.

Exhibit 6—Percentage of audits completed on time



On budget

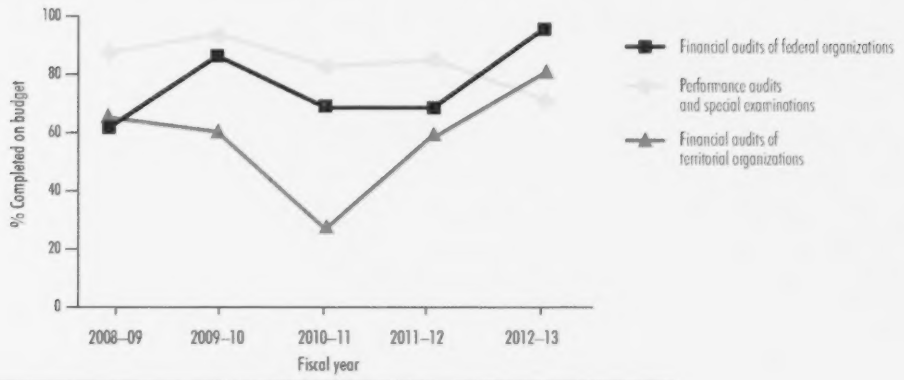
For all of our audits, being "on budget" means completing the audit in no more than 115 percent of the budgeted hours for the audit. This recognizes that factors outside the control of the audit team, such as client readiness and the number and complexity of issues identified, can affect time spent on an audit. It also reflects the balance we want to establish between assuring we do high-quality work and meeting our budgets.

Our results for the 2012–13 fiscal year were mixed. We met our targets for financial audits (87 percent on budget) and special examinations (100 percent on budget), but not for performance audits (69 percent on budget), for which we had set an 80 percent target. Some chapters were over budget, in most cases because of expansion in the audit scope after budgets were set, or factors outside the control of the audit team.

In our last Performance Report, we noted that our result for completing financial audits of territorial organizations on budget was 59 percent—well below our performance target of 80 percent. In the 2012–13 fiscal year, we made significant improvements in this area and were able to meet our target, completing 81 percent of our territorial financial audits on budget. The Office continues to monitor this indicator, while recognizing that these audits present some unique challenges related to the availability of financial management and accounting expertise in the organizations.

Exhibit 7 shows the trends in our performance for producing our audits on budget.

Exhibit 7—Percentage of audits completed on budget



Ensuring our audit reports are reliable

Our audit work is guided by a rigorous methodology and System of Quality Control. Annual internal reviews and periodic external peer reviews provide the Auditor General with opinions on whether our audits are conducted in accordance with professional standards and on whether our System of Quality Control is appropriately designed and effectively implemented. Annual internal reviews also conclude on whether the opinions and conclusions contained in our audit reports are appropriate. We report publicly on the results of these reviews in order to provide assurance to parliamentarians and the public that they can rely on the opinions and conclusions contained in our audit reports. The internal audits and reviews completed in the 2012–13 fiscal year are listed in Section III—Supplementary Information.

Our System of Quality Control is based on professional standards and Office policies. It provides auditors with steps that they must follow during their audits and ensures that these audits are conducted according to professional standards and Office policies.

Internal practice reviews

Each year, we conduct practice reviews of our financial audits, special examinations, and performance audits by assessing whether the audit opinions were appropriate, and whether we complied with our System of Quality Control and with professional standards.

In the 2012–13 fiscal year, we completed 14 practice reviews—8 of financial audits and 6 of direct reporting engagements (performance audits and special examinations). In all cases, we found that the opinions and conclusions expressed in the audit reports were appropriate and supported by proper evidence. We found that all audit files complied with our System of Quality Control.

External reviews

We periodically seek independent assurance that our System of Quality Control is suitably designed and operating effectively to produce independent, objective, and supportable information that Parliament can rely on to examine the government's performance and hold it to account. This is done through peer reviews conducted by other national legislative audit offices.

The most recent peer review was conducted in the 2009–10 fiscal year. It encompassed all three of our main audit practices, as well as key services that directly support audit operations. The results were presented in our Performance Report for that year. The Office has committed to requesting an external peer review at least once during each Auditor General's 10-year mandate.

A second type of external review is conducted by the provincial professional accounting bodies, who review our compliance with professional standards and our training of accounting students. The one such review conducted in the 2012–13 fiscal year concluded that the Office was following professional standards and was meeting the training requirements.

Internal audits

We also audit our management and administrative practices to assure the Auditor General that the Office is complying with government and Office policies. These internal audits also provide managers with assessments and recommendations, and when they are completed, the results are published on our website.

In the 2012–13 fiscal year, we completed a follow-up on previous internal audit recommendations. The audit found that the Office has fully implemented 41 of the 46 outstanding recommendations and has made satisfactory progress in addressing the remaining 5 recommendations.

Providing a respectful workplace

The Office has set four objectives for providing a respectful workplace, each with its own indicators and targets:

- Provide a workplace environment where employees are satisfied and engaged.
- Promote a bilingual workplace.
- Assemble a workforce that represents the Canadian workforce.
- Ensure that qualified, capable employees are available to carry out our mandate.

Satisfied and engaged employees

The Office conducts employee satisfaction research every two years. Our most recent survey was done in May 2012. A shorter survey format streamlined the research instrument and focused on engagement and enablement questions. The survey shows that employee engagement remains very high, with 83 percent of employees agreeing that the Office is an "above average" or "one of the best" places to work.

We recognize that maintaining employee engagement can be particularly challenging during periods of economic restraint. For this reason, we have continued to provide employees with periodic updates on our Strategic and Operating Review initiatives and our progress in achieving budget reduction objectives.

We shared our new Policy on the Prevention of Workplace Violence with staff this year and have made training available to all employees to raise awareness of individual responsibilities and organizational accountabilities.

We also revised our Code of Values, Ethics and Professional Conduct in October 2012. An Office-wide information session was held to ensure consistency in communication and a widespread understanding of the revised policy.

A bilingual workforce

The Office demonstrates its commitment to maintaining a bilingual workforce through a variety of initiatives. Our Official Languages (OL) training program maintains four full-time instructors who deliver individual and group classes in addition to our structured web-based learning. Our Official Languages subcommittee includes representation from all groups and levels within the organization. This active committee organizes regular OL awareness-building activities, such as the celebration of cultural events.

Bilingual capacity in the management group has not changed over the past year, with 84 percent of our senior management group (the Auditor General, assistant auditors general, and principals) meeting the language requirements of their positions in the 2012–13 fiscal year (our target remains 100 percent). In the 2012–13 fiscal year, 79 percent of directors met the language requirements for their positions, compared with 78 percent in the 2011–12 fiscal year.

A representative workforce

Employment equity is an important underlying value of the Office of the Auditor General of Canada. We are committed to ensuring equal opportunity in our workplace for all employees. Our employment equity results for the four designated groups (women, Aboriginal peoples, persons with disabilities, and persons in a visible minority) exceed or are close to the goal of 100 percent of workforce availability. Despite the limited recruitment resulting from the Strategic and Operating Review, the Office has largely maintained its representation of all four designated groups through the 2012–13 fiscal year. A detailed report on employment equity is provided annually to the Treasury Board of Canada Secretariat.

Employee retention

The Office's retention rate for the 2012–13 fiscal year is 92 percent, which is slightly above our 90 percent target. The Office closely monitors turnover. Our central audit resource planning and career management team facilitates the allocation of staff to projects and supports members of the audit community in their professional development through assignment rotation and mentoring programs. The Office is reviewing its "on-boarding" program to ensure that new hires feel welcomed, valued, and prepared for what lies ahead. In addition, we are reviewing other programs that support employee development, such as the Mentoring Program and the Audit Services Group Development Fund. We also launched the renewal of all internal training curricula.

The need to maintain the right staff complement is addressed every year at both macro and micro levels. An Office-wide capacity review is completed every year as we analyze our needs according to the planned audits. For each audit, professional auditing standards require a review by the responsible principal of the number and expertise of staff assigned to the audit.

Pay equity

A long-standing dispute on the issue of pay equity was resolved in February 2013. The Office of the Auditor General of Canada and the Public Service Alliance of Canada reached a settlement with respect to pay equity after many years of litigation. The settlement affects approximately 300 past and current employees. The Office is pleased that a satisfactory agreement was reached.

Financial performance

Our 2012–13 budget was $102 million. This amount consisted of the $84.3 million provided in Main Estimates, $14.2 million for services provided by other government organizations without charge, and $3.5 million for other adjustments that are routine in nature, including carry-forward funding, parental leave and severance payments, and other differences due to accrual accounting (salary accruals and capital asset acquisition less depreciation).

In the 2012–13 fiscal year, parliamentary appropriations approved totalled $93.8 million (Exhibit 8). This amount comprised $84.3 million in Main Estimates and a further $9.5 million in adjustments and transfers.

Exhibit 8—Voted and statutory appropriations

		2012–13 ($ millions)		
Vote # or statutory item (S)	Vote or statutory wording	Main Estimates	Appropriations approved	Appropriations used
15	Program expenditures	74.0	83.7	78.1
(S)	Contributions to employee benefit plans	10.3	10.1	10.1
	Total	**84.3**	**93.8**	**88.2**

The Office used $88.2 million of the parliamentary appropriations approved, which resulted in a lapse of $5.6 million in the 2012–13 fiscal year ($4.8 million in the 2011–12 fiscal year). Like government departments and agencies, the Office may carry forward lapsed amounts and adjustments of up to five percent of its operating budget (based on Main Estimates program expenditures) into the next fiscal year, subject to parliamentary approval. The lapse partly reflects actions taken by the Office to begin implementing its Strategic and Operating Review proposal.

Sustainable development commitments

Sustainable development requires the integration of environmental, economic, and social considerations in the development and implementation of government programs. Although we are not required to prepare a sustainable development strategy, the Office's sustainable development commitments are to integrate environmental considerations into our audit selection and planning decisions. Our current results are summarized in the following table.

Selected sustainable development commitments, targets, and performance		
Commitment	**Indicators and targets**	**2012–13 Actual**
Prepare long-term audit plans and individual performance audits using the Office's environmental risk assessment guide (4th E Practice Guide).	100 percent of performance audit teams use the 4th E Practice Guide's screening tool and consult with environmental specialists to identify and assess environmental risks when they are preparing long-term audit plans.	80%
	100 percent of performance audit teams use the 4th E Practice Guide's screening tool and consult with internal environmental specialists to determine if there are any important environmental issues related to their audit topic.	100%
Provide enhanced support and advice to audit teams conducting special examinations where important environmental risks for Crown corporations have been identified.	100 percent of these cases receive enhanced support and advice starting in 2007.	100%

Our international contribution

Our international strategy guides our international activities and positions the Office to meet future opportunities and challenges. The Office plays an active role in shaping professional accounting and auditing standards, particularly as they relate to the public sector. Office employees participate in task forces of the International Auditing and Assurance Standards Board to help revise and develop International Standards on Auditing. The Office is represented on the International Public Sector Accounting Standards Board, which develops accounting standards for use by public sector entities around the world for preparation of general-purpose financial statements.

Canada is one of 191 member countries in the International Organization of Supreme Audit Institutions (INTOSAI)—an umbrella organization for the external government auditing community. The Office participates in a number of its working groups and subcommittees, including the

- Subcommittee on Financial Audit Guidelines,
- Subcommittee on Performance Audit,
- Working Group on Environmental Auditing, and
- Audit Quality Control Project.

The Office, represented by the Auditor General, is the Chair of the Subcommittee on Accounting and Reporting of INTOSAI. The Auditor General is also a member of the Board of the INTOSAI Development Initiative, which is the group responsible for coordinating capacity building within INTOSAI.

Building capabilities and professional capacities of audit offices

During 2012–13, the Office continued its efforts to help build capacity in audit institutions in French sub-Saharan Africa, through partnerships with the Canadian International Development Agency (CIDA) and two executing agencies. We also continued to provide training to auditors from other national audit offices through a program administered by the Canadian Comprehensive Auditing Foundation. This CIDA-funded program, which was established in 1980, brings auditors from other national audit offices to Canada for 10 months of training in performance auditing, accountability, and governance.

Promoting better managed and accountable international institutions

The Office is the external auditor of the International Labour Organization until 2015. In past years, the Office was the external auditor of a number of United Nations organizations.

Section III—Supplementary Information

Financial statements

Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

Statement of Management Responsibility Including Internal Control Over Financial Reporting

Management of the Office of the Auditor General of Canada is responsible for the preparation of the accompanying financial statements for the year ended 31 March 2013 and for all information contained in these statements. These financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the Office's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the Office's Departmental Performance Report, is consistent with these audited financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR), which is designed to provide reasonable assurance that financial information is reliable; that assets are safeguarded; and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through the careful selection, training, and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communications aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout the Office; and through an annual assessment of the effectiveness of the system of internal control over financial reporting.

The system of ICFR is designed to mitigate risks to a reasonable level and may not prevent or detect misstatements. It is based on an ongoing process designed to identify and prioritize key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

The effectiveness and adequacy of the Office's system of internal control are reviewed through the work of internal audit staff, who conduct periodic audits of different areas of the Office's operations. Also, financial services staff annually monitor internal control over financial reporting. As a basis for recommending approval of the financial statements to the Executive Committee, the Office's Audit Committee reviews management's arrangements for internal controls and the accounting policies

employed by the Office for financial reporting purposes. The Audit Committee also meets independently with the Office's internal and external auditors to consider the results of their work.

A risk-based assessment of the system of internal control over financial reporting for the year ended 31 March 2013 was completed in accordance with the Treasury Board *Policy on Internal Control*. The results and action plans are summarized in the 2012–13 Annex to the Statement of Management Responsibility, Including Internal Control over Financial Reporting.[1]

Welch LLP, Lévesque Marchand SENC, Chartered Accountants, the independent auditor for the Office of the Auditor General of Canada, has expressed an opinion on the fair presentation of the financial statements of the Office in conformity with Canadian public sector accounting standards, which does not include an audit opinion on the annual assessment of the effectiveness of the Office's internal control over financial reporting.

Michael Ferguson, CPA, CA
FCA (New Brunswick)
Auditor General of Canada

Lyn Sachs, FCPA, FCA (Québec)
Assistant Auditor General and
Chief Financial Officer

Ottawa, Canada
31 July 2013

[1]The annex can be found on the Office's website at www.oag-bvg.gc.ca

Independent Auditor's Report

To the Speaker of the House of Commons

Report on the Financial Statements

We have audited the accompanying financial statements of the Office of the Auditor General of Canada, which comprise the statement of financial position as at 31 March 2013, and the statements of operations, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Auditor General of Canada as at 31 March 2013, and the results of its operations, the change in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

In our opinion, the transactions of the Office of the Auditor General of Canada that have come to our notice during our audit of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and regulations and the *Auditor General Act* and regulations.

Welch LLP
Lévesque Marchand SENC
Chartered Accountants
Licensed Public Accountants

Ottawa, Canada
31 July 2013

Office of the Auditor General of Canada
Statement of Financial Position
as at 31 March

	2013	2012
	(in thousands of dollars)	
Financial assets		
Due from the Consolidated Revenue Fund	8,069	6,570
Accounts receivable	777	538
	8,846	7,108
Liabilities		
Accounts payable and accrued liabilities		
Due to employees	3,567	3,915
Due to others	3,411	1,755
Vacation pay	3,618	3,672
Post-employment benefits and compensated absences (note 4)	10,823	14,768
	21,419	24,110
Net debt	(12,573)	(17,002)
Non-financial assets		
Tangible capital assets (note 5)	1,828	2,297
Prepaid expenses	288	314
	2,116	2,611
Accumulated Deficit	(10,457)	(14,391)

Contractual obligations (note 9)

The accompanying notes are an integral part of these financial statements.

Approved by

Michael Ferguson, CPA, CA
FCA (New Brunswick)
Auditor General of Canada

Lyn Sachs, FCPA, FCA (Québec)
Assistant Auditor General and
Chief Financial Officer

Office of the Auditor General of Canada
Statement of Operations
for the year ended 31 March

	2013 Budget (Note 11)	2013 Actual	2012 Actual
		(in thousands of dollars)	
Expenses (note 6)			
Financial audits of Crown corporations, territorial governments, other organizations, and the summary financial statements of the Government of Canada	45,400	45,149	47,192
Performance audits and studies	38,500	39,577	38,065
Special examinations of Crown corporations	4,500	2,846	2,676
Sustainable development monitoring activities and environmental petitions	2,100	1,833	1,262
Assessments of agency performance reports	400	209	640
Professional practices (note 7)	11,100	10,094	13,479
Total cost of operations	102,000	99,708	103,314
Costs recovered			
International audits	700	778	776
Other	100	199	193
Costs recovered not available for use	(100)	(160)	(122)
Net costs recovered	700	817	847
Net cost of operations	101,300	98,891	102,467
Government funding			
Parliamentary appropriations used (note 3)	87,800	88,210	89,811
Services provided without charge (note 8)	14,200	14,615	14,681
	102,000	102,825	104,492
Annual surplus	700	3,934	2,025
Accumulated deficit, beginning of year	(14,391)	(14,391)	(16,416)
Accumulated deficit, end of year	(13,691)	(10,457)	(14,391)

The accompanying notes are an integral part of these financial statements.

Office of the Auditor General of Canada
Statement of Change in Net Debt
for the year ended 31 March

	2013	2013	2012
	Budget (note 11)	Actual	Actual
		(in thousands of dollars)	
Annual surplus	700	3,934	2,025
Acquisitions of tangible capital assets	(400)	(531)	(608)
Amortization of tangible capital assets	800	972	984
Net loss on disposal of tangible capital assets	–	28	185
	1,100	4,403	2,586
Acquisition of prepaid expenses	(264)	(288)	(314)
Use of prepaid expenses	314	314	292
	50	26	(22)
Decrease in net debt, during the year	1,150	4,429	2,564
Net debt, beginning of year	(17,002)	(17,002)	(19,566)
Net debt, end of year	(15,852)	(12,573)	(17,002)

The accompanying notes are an integral part of these financial statements.

Office of the Auditor General of Canada
Statement of Cash Flow
for the year ended 31 March

	2013	2012
	(in thousands of dollars)	
Operating transactions		
Cash paid for		
Employee salaries, wages, and benefits	(68,878)	(70,875)
Statutory contributions to employee benefit plans	(10,435)	(10,555)
Materials, supplies, and services	(7,986)	(10,244)
Services provided by related parties	(1,974)	(2,268)
Other	(160)	(123)
	(89,433)	(94,065)
Cash received from		
Salaries and benefits recovered for seconded employees	2,115	2,294
International audits	869	804
Other	269	418
	3,253	3,516
Parliamentary appropriations used (note 3)	88,210	89,811
	91,463	93,327
Cash provided/(used) by operating transactions	2,030	(738)
Capital transactions		
Cash used to acquire tangible capital assets	(531)	(608)
Cash applied to capital transactions	(531)	(608)
Increase/(Decrease) in Due from the Consolidated Revenue Fund	1,499	(1,346)
Due from the Consolidated Revenue Fund, beginning of year	6,570	7,916
Due from the Consolidated Revenue Fund, end of year	8,069	6,570

The accompanying notes are an integral part of these financial statements.

1. Authority and objective

The *Auditor General Act*, the *Financial Administration Act*, and a variety of other acts and orders-in-council set out the duties of the Auditor General and the Commissioner of the Environment and Sustainable Development. These duties relate to legislative auditing of federal departments and agencies, Crown corporations, territorial governments, other organizations, and one international organization.

The program activity of the Office of the Auditor General of Canada is legislative auditing and consists of performance audits and studies of departments and agencies; the audit of the summary financial statements of the Government of Canada; financial audits of Crown corporations, territorial governments, and other organizations; special examinations of Crown corporations; sustainable development monitoring activities and environmental petitions; and assessments of agency performance reports.

The Office is funded through annual appropriations received from the Parliament of Canada and is not taxable under the provisions of the *Income Tax Act*.

Pursuant to the *Financial Administration Act*, the Office is a department of the Government of Canada for the purposes of that Act and is listed in Schedule I.1, and is a separate agency for the purposes of Schedule V.

2. Significant accounting policies

a) Basis of presentation

The financial statements of the Office have been prepared by management in accordance with Canadian public sector accounting standards.

b) Parliamentary appropriations

The Office's annual parliamentary appropriations are reported directly in the statement of operations in the fiscal year for which they are approved by Parliament and used by the Office.

c) Costs recovered

The costs of audits are paid from monies appropriated by Parliament to the Office. However, fees for international audits generally recover the direct costs incurred and are recognized in the period the audit services are provided. Amounts recovered are available for use by the Office. Other costs recovered represent audit professional services provided to members of the Canadian Council of Legislative Auditors (CCOLA), and other refunds and adjustments. Direct salary and other costs recovered from members of CCOLA are also available for use by the Office.

d) Due from the consolidated revenue fund

The financial transactions of the Office are processed through the Consolidated Revenue Fund of the Government of Canada. The "Due from the Consolidated Revenue Fund" balance represents the amount of cash that the Office is entitled to draw from the Consolidated Revenue Fund, without further appropriations, in order to discharge its liabilities.

e) Accounts receivable

Accounts receivable are stated at the lowest of cost and amounts the Office is virtually certain to receive; a provision is made where recovery is considered uncertain.

f) Tangible capital assets

Tangible capital assets are recorded at historical cost less accumulated amortization. The Office capitalizes the costs associated with the development of software used internally including software licences, installation costs, professional service contract costs, and salary costs of employees directly associated with these projects. The costs of software maintenance, project management and administration, data conversion, and training and development are expensed in the year incurred.

Amortization of tangible capital assets begins when assets are put into use and is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Tangible capital assets	Useful life
Leasehold improvements	10 years
Informatics software	3 years
Furniture and fixtures	7 years
Informatics hardware and infrastructure	3 years
Office equipment	4 years
Motor vehicle	5 years

g) Accounts payable and accrued liabilities

i) Due to employees

Amounts due to employees represent obligations of the Office for salary and wages using the employees' salary levels at year end, and for pay equity settlements. These amounts are funded through parliamentary appropriations.

ii) Due to others

Amounts due to others represent obligations of the Office for material and supply purchases, for pay equity settlements due to former employees, and for the cost of services rendered to the Office. These amounts are funded through parliamentary appropriations.

iii) Vacation pay

Vacation pay is expensed as benefits accrue to employees under their respective terms of employment using the employees' salary levels at year end. Vacation pay liabilities represent obligations of the Office that are funded through parliamentary appropriations.

h) Net debt

The net debt is calculated as the difference between liabilities and financial assets. Post-employment benefits and compensated absences represent the most significant component of net debt as these obligations are paid from future parliamentary appropriations.

i) Accumulated deficit

The accumulated deficit represents liabilities incurred by the Office, net of capital assets and prepaid expenses that have not yet been funded through appropriations. Significant components of this amount are post-employment benefits, compensated absences, and vacation pay liabilities.

j) Retirement benefits, post-employment benefits and compensated absences

i) Retirement benefits

All eligible employees participate in the Public Service Pension Plan, a plan administered by the Government of Canada. The Office's contributions are currently based on a multiple of an employee's required contributions and may change over time, depending on the experience of the Plan. The Office's contributions are expensed during the year in which the services are rendered and represent its total pension obligation. The Office is not currently required to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

ii) Post-employment benefits

The accumulation of severance benefits has ceased for all employees. Management has determined the accrued benefit obligation using the employees' salary at year end and the number of weeks earned but unpaid. The Office's severance benefits are not pre-funded and will be paid from future appropriations.

iii) Compensated absences

Employees are entitled to sick leave benefits that accumulate but do not vest. The benefits are earned based on employee services rendered and are paid upon an illness- or injury-related absence. The obligation and the benefit expenses are actuarially determined and are recorded based on the expected future use of the benefits.

k) Services provided without charge by other government departments

Services provided without charge by other government departments are recorded as operating expenses by the Office at their estimated cost. A corresponding amount is reported as government funding. These amounts include accommodation services provided by Public Works and Government Services Canada (PWGSC) and the costs of Public Service employee health, dental, disability, and life insurance plans as well as other payroll costs, which are administered through PWGSC and funded directly by the Treasury Board of Canada Secretariat.

l) Allocation of expenses

The Office charges all direct salary, professional service, travel, and other costs associated with the delivery of individual audits and professional practice projects directly to them. All other expenses, including services provided without charge, are treated as overhead and allocated to audits and professional practices projects based on the direct staff cost charged to them.

m) Measurement uncertainty

These financial statements are prepared in accordance with Canadian public sector accounting standards, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of costs recovered, government funding, and expenses during the reporting period. Services provided without charge, amortization of tangible capital assets, compensated absences, and pay equity settlements (included in amounts due to others) are the most significant items for which estimates are used. Actual results could differ significantly from the estimates. These estimates are reviewed annually, and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

3. Parliamentary appropriations

The Office is funded through annual parliamentary appropriations. Items recognized in the statement of operations in one year may be funded through parliamentary appropriations in prior and future years.

The following is a reconciliation of appropriations provided with current year appropriations used:

	2013	2012
	(in thousands of dollars)	
Appropriations:		
Voted—operating expenditures	83,731	84,040
Statutory contributions to employee benefit plans	10,111	10,544
Proceeds from disposal of capital assets	2	2
Current year appropriations provided	93,844	94,586
Less: Lapsed appropriations	5,634	4,775
Current year appropriations used	88,210	89,811

4. Retirement benefits, post-employment benefits, and compensated absences

a) Retirement benefits

The Office's eligible employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best 5 consecutive years of earnings. The benefits are fully indexed to the increase in the Consumer Price Index.

The Office's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor. Office and employee contributions to the Plan are as follows:

	2013	2012
	(in thousands of dollars)	
Office contributions	7,219	7,581
Employee contributions	3,140	3,500

b) Post-employment benefits and compensated absences

i) Post-employment benefits

As part of collective agreement negotiations with certain employee groups, and changes to conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the severance program ceased for all employees. Employees have been given the option to be paid immediately the full or partial value of benefits earned or collect the full or remaining value of benefits on termination from the Office. Management has determined the accrued benefit obligation using the employee's salary at year end and the number of weeks earned but unpaid.

ii) Compensated absences

Employees are credited, based on service, a maximum of 15 days annually for use as paid absences due to illness or injury. Employees are allowed to accumulate unused sick day credits each year. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick days for sick-leave compensation ceases on termination of employment.

Each year, at 31 March, the Office obtains an actuarial evaluation of its accrued benefit obligation. The actuarial assumptions are management's best estimates and are based on an analysis of the historical data up to the reporting date. The key assumptions are discount rate of 2.3 percent, which is based on the government's borrowing rate (2.4 percent in 2012); an assumption of 3 percent for the annual rate of increase in salary for all Office employees (3 percent in 2012); and the selection of an assumed retirement age of 58 (58 used in 2012). The actuarial assumptions are revised annually.

Information about post-employment benefits and compensated absences, measured as at 31 March, is presented in the following table.

	2013			2012
	Post-employment	Compensated absences	Total post-employment benefits and compensated absences	Total post-employment benefits and compensated absences
	(in thousands of dollars)			
Accrued benefit obligation, beginning of year	10,752	4,016	14,768	17,694
Net benefit expense				
Current year benefit costs	140	393	533	1,750
Interest on the accrued benefit obligation		95	95	127
Actuarial losses		190	190	473
	140	678	818	2,350
Benefit payments	(4,271)	(492)	(4,763)	(5,276)
Accrued benefit obligation, end of year	6,621	4,202	10,823	14,768

5. Tangible capital assets

	Cost				Accumulated amortization				2013	2012
	Opening balance	Acquisitions	Disposals	Closing Balance	Opening balance	Amortization	Disposals	Closing Balance	Net book value	Net book value
	(in thousands of dollars)									
Leasehold improvements	3,455	22	-	3,477	2,527	308	-	2,835	642	928
Informatics software	2,604	187	7	2,784	1,949	354	7	2,296	488	655
Furniture and fixtures	4,547	77	43	4,581	4,237	84	15	4,306	275	310
Informatics hardware and infrastructure	1,114	54	38	1,130	852	153	38	967	163	262
Office equipment	1,047	167	12	1,202	905	73	12	966	236	142
Motor vehicle	31	24	31	24	31	-	31	-	24	0
Total	12,798	531	131	13,198	10,501	972	103	11,370	1,828	2,297

The net book value of tangible capital assets not being amortized because they are under development totals $45,000 ($159,000 in 2012) and is included within informatics software.

6. Summary of expenses by object

Summary of expenses by object for the years ended 31 March are as follows:

	2013	2012
	(in thousands of dollars)	
Personnel	78,612	81,121
Transportation and communications	3,755	4,090
Information	556	485
Professional and special services	4,958	5,352
Rentals	9,725	9,283
Repair and maintenance	165	795
Utilities, materials, and supplies	401	530
Small machinery and equipment	439	360
Amortization of capital assets	972	984
Other subsidies and payments	2	2
Net loss on disposal of tangible capital assets	28	185
Interest on the accrued benefit obligation	95	127
Total expenses	99,708	103,314

The total cost of operations includes services provided without charge by other government departments as explained in note 8.

7. Professional practices

The Office works with other legislative audit offices and professional associations, such as the Chartered Professional Accountants of Canada, to advance legislative audit methodology, accounting and auditing standards, and best practices. International activities include participation in organizations and events that have an impact on our work as legislative auditors. Peer reviews include the cost of participating in peer reviews of other national legislative audit offices and being the subject of a peer review.

	2013	2012
	(in thousands of dollars)	
Methodology	6,068	9,315
International activities	2,330	2,356
Participation in standard-setting activities	858	493
Canadian Council of Legislative Auditors	826	1,040
Peer reviews	12	275
Professional practices	10,094	13,479

8. Related party transactions

The Office is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The Office enters into transactions with these organizations in the normal course of business and on normal trade terms. As Parliament's auditor, the Office is mindful of its independence and objectivity when entering into any such transactions. The Office conducts independent audits and studies without charge to federal departments and agencies, Crown corporations, territorial governments, and other organizations.

In 2013, the Office incurred expenses of $26.9 million ($27.6 million in 2012) and recovered expenses of $2.3 million ($2.4 million in 2012) from transactions in the normal course of business with other government departments, agencies, and Crown corporations. These expenses include services provided without charge as follows:

	2013	2012
	(in thousands of dollars)	
Office accommodation	8,651	8,937
Employee insurance plans	5,964	5,744
	14,615	14,681

These amounts are included in expenses shown in note 6.

As at 31 March, the accounts receivable and payable with other government departments, agencies, and Crown corporations are as follows:

	2013	2012
	(in thousands of dollars)	
Accounts receivable	366	173
Accounts payable	81	246

These amounts are included respectively in accounts receivable and "due to others" on the statement of financial position.

9. Contractual obligations

Significant contractual obligations relating to photocopier operating leases are summarized as follows. Renewals of leases, the majority of which expire in 2013–14, have not yet been negotiated.

	2014	2015	Total
		(in thousands of dollars)	
Operating leases	167	4	171

10. Financial instruments

The Office is exposed to low risks through its financial instruments. The following analysis presents the Office's exposures to possible significant risk at the reporting date.

i) Credit risk

The Office is exposed to low credit risk resulting from the possibility that parties may default on their financial obligations. Management believes the risk of loss on its accounts receivable balances to be low due to the credit quality of these parties. Accounts receivable balances are managed and analyzed on an ongoing basis. Accordingly, management believes that all amounts receivable will be collected and has determined that a provision for bad debt is not required.

ii) Liquidity risk

Liquidity risk is the risk that the Office will encounter difficulty in meeting its obligation associated with financial liabilities. The Office's objective for managing liquidity risk is to manage operations and cash expenditures within the appropriation authorized by Parliament or allotment limits approved by the Treasury Board of Canada Secretariat. Management believes this risk is low.

11. Budget figures

Budget figures have been provided for comparison purposes and have been derived from the 2012–13 planned spending figures included in the 2012–13 Report on Plans and Priorities.

Additional financial information

The Office provides the following unaudited financial information regarding service contracts, travel and hospitality, compensation, and performance management expenditures.

Table 1—Total value of service contracts

This table highlights the Office's contracting activity for services in calendar year 2012.

	Contracts with original value less than $25,000			Contracts with original value greater than $25,000		
	($)	Number	Percentage	($)	Number	Percentage
Competitive contracts	1,288,476	139	43.7%	2,494,721	38	88.0%
Non-competitive contracts	1,657,705	314	56.3%	340,224	5	12.0%
Total	**2,946,181**	**453**	**100.0%**	**2,834,945**	**43**	**100.0%**

All amounts include fees, expenses, amendments, and taxes. Contracts are classified based on the total original value, which includes original fees, expenses, and taxes. However, the amounts reported also include any amendments. Contracts with a total original value of less than $25,000 are sometimes amended in accordance with the Office's contracting policy. In some cases, the total amended value may exceed $25,000—these contracts are still included with "contracts with original value less than $25,000." There was one non-competitive contract with a total original value of less than $25,000 and an amended value greater than $25,000. The total value of the amendment to the contract was $1,695. Further disclosure can be found on the Office's website where we report the total amended value (total original value plus any amended value) of contracts over $10,000.

The Auditor General's power to enter into contracts for services is set out in subsection 16(2) of the *Auditor General Act*, and the Office is subject to the *Government Contracts Regulations*. The Regulations do not apply to contracts for the performance of legal services.

In 2012, we awarded five contracts greater than $25,000 on a non-competitive basis: one multi-year contract for legal advice; and four contracts for the upgrade, renewal, support and maintenance services of existing proprietary software and a telephone switch.

Table 2—Travel and hospitality expenses

Disclosure of the travel and hospitality expenses for the Auditor General, the Commissioner of the Environment and Sustainable Development, and the assistant auditors general as well as for corporate events is available on our website under Proactive Disclosure. The Office follows the Treasury Board Directive on Travel, Hospitality, Conference and Event Expenditures.

Table 3—Compensation and benefits

The following is a summary of compensation and selected benefits paid to the Office employees by level. Office employees receive benefits comparable to other federal government employees, which are not included in this table.

Position	FTEs[1]	Salary ($)	Bilingual bonus ($)	Performance pay[2] ($)		Automobile[3] ($)	Total ($)
				Pay at risk	Bonus		
Auditor General	1	342,800[4]				3,068	345,868
Commissioner of the Environment and Sustainable Development	1	168,230–220,685		0–25,160	0–11,035		168,230–256,880
Assistant auditors general	12	168,230–200,620		0–22,800	0–10,000		168,230–233,420
Senior principals	5	120,815–175,030		0–20,000	0–8,700		120,815–203,730
Principals	50	120,815–155,820		0–11,800	0–7,800		120,815–175,420
Senior directors	3	94,280–140,030		0–10,600	0–7,000		94,280–157,630
Directors	92	104,545–125,025		0–9,500	0–6,200		104,545–140,725
Auditors	268	47,371–109,248	800		0–3,000		47,371–113,048
Audit support services	171	36,100–109,451	800				36,100–110,251
Total FTEs	603						

[1] Full-time equivalents (FTEs) used in the fiscal year 2012–13.

[2] Amounts represent the range that levels are eligible to receive in performance pay as pay at risk and/or bonus.

[3] Taxable benefit for the personal use of an automobile for the 2012 calendar year.

[4] The salary of the Auditor General is set by statute under subsection 4(1) of the *Auditor General Act* and is equal to the salary of a puisne judge of the Supreme Court of Canada.

Performance management

Every year, managers are evaluated on their product management and people management skills. Managers who meet their annual performance objectives receive "pay at risk" payments in the form of salary increases or lump sums, or both, depending on their level. In the 2012–13 fiscal year, these amounts ranged from 3.3 to 12.8 percent of managers' salaries.

Those managers who exceeded expectations were eligible for an additional bonus of between one and four percent of their salary, depending on their level and performance. In the 2012–13 fiscal year, 49 percent of managers were awarded this performance bonus.

A total of $2,132,717 in performance pay (including pay at risk and bonuses) was paid to managers for the 2012–13 fiscal year. In addition, 58 of 316 non-management auditors (18 percent) received a fixed performance pay of $3,000.

Report on staffing

The Auditor General has received the staffing authorities of the Public Service Commission directly through the *Auditor General Act*. Since the Commission must report annually to Parliament for the previous fiscal year on matters under its jurisdiction, the Office of the Auditor General believes it should also report annually on the Office's staffing.

The following table takes into account the Public Service Commission's Staffing Management Accountability Framework. It summarizes the 11 areas of accountability and identifies the indicators present in the Office. The framework is intended to ensure a values-based staffing system through which the core principles of merit and non-partisanship are applied in accordance with the core values of fairness, transparency, and access.

Staffing: Areas of accountability and indicators

1. Delegation of staffing to deputy heads: The process of exercising authority and establishing a well-defined structure and administration in order to support the achievement of desired results.	
Mechanisms are in place to ensure that sub-delegated managers comply with their sub-delegated authority.	A revised Delegated HR Authorities document was approved in the 2012–13 fiscal year. New appointees to the Management Group (directors and principals) are required to attend a half- or full-day transition session. Issues discussed include human resource responsibilities and delegated authorities.
2. Planning for staffing and monitoring of results: Staffing strategies are planned based on analyses of the workforce and of staffing trends and patterns.	
Staffing strategies support organizational staffing priorities and align with current and future needs. The Office of the Auditor General (OAG) assesses the extent to which expected results for staffing are achieved and adjusted, as required.	Staffing needs are assessed annually. Based on these needs and on the OAG's budget, full-time equivalent (FTE) positions are allocated to each assistant auditor general (AAG). The AAGs are then responsible, with the help of Human Resources, for staffing their groups. The allocation of resources is monitored regularly by the Career Management and Resource Team in order to identify and resolve gaps between needs in specific audits and available resources. Each month, a status report on the overall staffing levels and FTE budgets is provided to the Executive Committee for monitoring. The Staffing and Finance groups meet monthly to ensure that resources are allocated effectively and meet targets established in the plan.
3. Organizational human resource (HR) support systems: The OAG has access to a reasonable number of HR advisors with appropriate staffing expertise to support hiring decisions.	
• The capacity of HR advisors is sufficient for the volume of staffing. • Learning activities are undertaken by HR advisors.	There were 152 staffing processes in the 2012–13 fiscal year, which resulted in 184 appointments. Two staffing advisors, plus an assistant, met the demands. A benchmarking exercise supports the belief that these resources are sufficient. The staffing advisors are members of human resource professional associations. These associations require participation in continuous professional development activities in order to maintain their designations.

4. Communication: The OAG is expected to respect the *Public Service Employment Act* and to monitor staffing activities to ensure accountability for staffing decisions.	
Staffing performance deficiencies identified by internal audit are corrected in a timely fashion.	An official follow-up to the internal audit of staffing (2007) took place in winter 2013. One recommendation pointed to training for the HR advisors. The recommended course has been scheduled and should be completed by the end of July 2013. The major recommendation was to replace the current HR information management system. Corporate Services is currently reviewing options to replace the HR system.
Staffing risks are monitored and reviewed by the Assistant Auditor General, Corporate Services.	The HR team prepares an annual monitoring report on staffing activities specifically targeted to examine risk areas associated with staffing activities. For the past several years, the HR team has met with the AAG Corporate Services to review the Staffing Monitoring Report. The AAG Corporate Services then shares comments with the Executive Committee if deemed significant.
5. Flexibility and efficiency: Resourcing approaches are adapted to the OAG's needs, and our staffing system provides good value and is timely and effective.	
• Managers are satisfied with the OAG's staffing processes, including the length of time to staff positions. • Candidates are satisfied with the duration of the processes.	• While this is not an area that the OAG has investigated through a formal survey because we are a small organization, this information is regularly sought in ad hoc discussions with our hiring managers. The HR Principal regularly discusses performance of the HR team with AAGs and service leaders. • Monthly reports are produced identifying open positions and positions staffed during the previous month. • Regular meetings are held between staffing advisors and managers to review progress on open positions.
6. Merit: People who are appointed meet the essential qualifications, including official language capability.	
Managers and candidates are satisfied that the staffing process assesses merit. In-house investigations are conducted as required.	• As we have not had to conduct any in-house investigations into the application of merit, we have concluded that there is no concern in this area. • The majority of bilingual staffing processes (99 percent) were deemed bilingual imperative in the 2012–13 fiscal year. For these imperative staffing actions, all candidates met the official language qualifications of the position prior to being appointed. It should be noted that the Auditor General has the power to waive the imperative requirement if the position requires specific expertise.
7. Non-partisanship: Appointments and promotions are done objectively and are free from political influence.	
Actions are taken to make employees aware of their legal rights and responsibilities regarding political activities.	The OAG informs all employees of their rights and responsibilities in this area at the time of hire. All employees receive additional information via emails or through the organization's intranet newsletter.
8. Representativeness: Appointment processes are conducted without bias and do not create systemic barriers.	
Staffing-related provisions or initiatives to increase representativeness are in place.	As the OAG's overall representation exceeds or is close to our goal of 100 percent of workforce availability in all categories, this is not an area of concern. Data on promotions, departures, and new hires is reviewed and monitored every year to ensure that the OAG has not inadvertently created barriers to employment.

9. Access: People from across Canada have a reasonable opportunity to be considered for employment at the OAG.	
Indicators include the following: • Percentage of external appointments that are advertised • Percentage of these external appointments that were advertised nationally	• During the 2012–13 fiscal year, about one third of all external processes were advertised to the public. • Of those external advertised processes, 100 percent were advertised nationally.
10. Fairness: Communication ensures the integrity of the appointment process by being transparent, easy to understand, timely, and accessible, and by including the relevant stakeholders.	
Indicators include the following: • Percentage of indeterminate hires converted from casual status • Effective management of priority entitlements	• The OAG employed 10 casual employees in the 2012–13 fiscal year. • No casual employees were converted to term employees during the period. • The OAG priority list is closely monitored by the HR team. The Assistant Auditor General of Corporate Services is regularly informed of any priority situations.
11. Transparency: Information about staffing strategies, decisions, policies, and practices is communicated in an open and timely manner.	
Organizational staffing priorities are communicated on the OAG website and contents are clearly communicated to managers, employees, and bargaining units, where applicable.	• The OAG produces an annual HR report that includes the number of hires, departures, and turnover rate, as well as reasons for departures. This document is made available to employees on the INTRAnet. • All competitions are advertised in both official languages. Competitions open to people outside the Office are advertised on our website ("Careers"). Most of them were also posted on the Government of Canada website ("Jobs Open to the Public").

List of performance audits

The following is a list of performance audits planned for in our 2012–13 Report on Plans and Priorities (RPP), including their planned and actual reporting dates. Names are based on titles of publication.

Auditor General of Canada	Planned reporting date in 2012–13 RPP	Actual reporting date
2012 Spring Report of the Auditor General of Canada		
Chapter 1—Border Controls on Commercial Imports	Spring 2012	April 2012
Chapter 2—Replacing Canada's Fighter Jets	Spring 2012	April 2012
Chapter 3—Interest-Bearing Debt	Spring 2012	April 2012
Chapter 4—Non-Filers and Non-Registrants—Canada Revenue Agency	Spring 2012	April 2012
Chapter 5—Oversight of Civil Aviation—Transport Canada	Spring 2012	April 2012
Chapter 6—Special Examinations of Crown Corporations—2011	Spring 2012	April 2012
2012 Fall Report of the Auditor General of Canada		
Chapter 1—Planning the Use of Professional Service Contractors	Fall 2012	October 2012
Chapter 2—Grant and Contribution Program Reforms	Fall 2012	October 2012
Chapter 3—Protecting Canadian Critical Infrastructure Against Cyber Threats	Fall 2012	October 2012
Chapter 4—Transition of Ill and Injured Military Personnel to Civilian Life	Fall 2012	October 2012
Chapter 5—Real Property—National Defence	Fall 2012	October 2012
Chapter 6—Transfer Payments to the Aerospace Sector—Industry Canada	Fall 2012	October 2012
Chapter 7—Long-Term Fiscal Sustainability—Finance Canada	Fall 2012	October 2012
2013 Status Report of the Auditor General of Canada		
Chapter 1—Status Report on Evaluating the Effectiveness of Programs	Spring 2013	April 2013[1]
Chapter 2—Status Report on Security in Contracting	Spring 2013	April 2013[1]
Chapter 3—Status Report on Collecting Tax Debts—Canada Revenue Agency	Spring 2013	April 2013[1]
Chapter 8—Spending on the Public Security and Anti-Terrorism Initiative	Spring 2013	April 2013[1]

[1] The follow-up to previous audit work originally planned for the March 2013 Status Report was included in the 2013 Spring Report of the Auditor General of Canada, which was tabled in April 2013.

Report of the Auditor General of Canada to the Board of Internal Economy of the House of Commons		
Administration of the House of Commons of Canada	Spring 2012	June 2012
Report of the Auditor General of Canada to the Standing Senate Committee on Internal Economy, Budgets and Administration		
Administration of the Senate of Canada	Spring 2012	June 2012

Commissioner of the Environment and Sustainable Development	Planned reporting date in 2012–13 RPP	Actual reporting date
2012 Spring Report of the Commissioner of the Environment and Sustainable Development		
Chapter 1—*Kyoto Protocol Implementation Act*	Spring 2012	May 2012
Chapter 2—Meeting Canada's 2020 Climate Change Commitments	Spring 2012	May 2012
Chapter 3—Federal Contaminated Sites and Their Impacts	Spring 2012	May 2012
2012 Fall Report of the Commissioner of the Environment and Sustainable Development		
Chapter 1—Atlantic Offshore Oil and Gas Activities	Fall 2012	February 2013
Chapter 2—Financial Assurances for Environmental Risks	Fall 2012	February 2013
Chapter 3—Marine Protected Areas	Fall 2012	February 2013
Chapter 4—A Study of Federal Support to the Fossil Fuel Sector	Fall 2012	February 2013
Chapter 5—Environmental Petitions	Fall 2012	February 2013

Territorial performance audits	Planned reporting date in 2012–13 RPP	Actual reporting date
Status Report of the Auditor General of Canada to the Yukon Legislative Assembly—2012	June 2012	June 2012
Report of the Auditor General of Canada to the Yukon Legislative Assembly—2013: Capital Projects—Yukon Hospital Corporation	February 2013	February 2013
Report of the Auditor General of Canada to the Northwest Territories Legislative Assembly—2013: Northwest Territories Income Security Programs—Department of Education, Culture and Employment	March 2013	March 2013

List of special examinations

Special examination	Statutory deadline[1]	Transmission date
Farm Credit Canada	September 2017	July 2012
Canadian Broadcasting Corporation	November 2015	February 2013
Old Port of Montreal Corporation Inc.	June 2015	March 2013
Canada Lands Company Limited	June 2016	Delayed until 2014[2]
Canada Employment Insurance Financing Board	N/A	Cancelled[3]

[1] The *Budget Implementation Act, 2009* changed the frequency of special examinations in the *Financial Administration Act* from at least once every 5 years to at least once every 10 years. The statutory deadlines and schedule of planned special examinations were revised following that change.

[2] The special examination was delayed to allow us to take into account significant organizational changes in the Crown corporation.

[3] The corporation was wound up by Order in Council, effective 7 March 2013.

List of internal audits and reviews

Internal audits and reviews completed in the 2012–13 fiscal year		
Name of internal audit	**Audit type**	**Completion date[1]**
Financial management and budgeting	Internal audit	June 2012
Follow-up on past internal audit recommendations	Internal audit	April 2013
Management performance information	Internal audit	Deferred, as performance information is being reviewed by the Office in 2013.
Application of CAS 600	Practice review	April 2012
Follow-up on the implementation of previous practice review recommendations	Practice review	No recommendations were made in the 2011–12 fiscal year; therefore, no follow-up was required.
Report on a Review of the Annual Audit Practice—Practice Reviews Conducted in the 2012–13 Fiscal Year	Practice review	April 2013
Report on a Review of Direct Report Engagements—Practice Reviews Conducted in the 2012–13 Fiscal Year	Practice review	July 2013[2]

[1] Reports are posted on the website of the Office of the Auditor General.

[2] Six individual practice reviews were completed in the 2012–13 fiscal year, and a seventh was completed early in the 2013–14 fiscal year. The summary report was presented to the Audit Committee in July 2013.

Our performance indicators and measures

The Office has established a set of core indicators of impact and measures of organizational performance to help inform management decision making.

Our indicators of impact help us to assess the extent to which

- our work adds value for the key users of our reports,
- our work adds value for the organizations we audit,
- key users of our reports are engaged in the audit process, and
- key users of our reports and the organizations we audit respond to our findings.

Our measures of organizational performance help us monitor the extent to which

- our work is delivered on time and on budget,
- our audit reports are reliable, and
- we provide a respectful workplace.

We use surveys to gather feedback from our clients and the organizations we audit on our performance. Information on the surveys can be found by searching for "External Surveys" on our website.

Indicator Table 1—Summary of our indicators of impact

Objectives and indicators	2011–12 Actual	2012–13 Actual	2012–13 Target
Our work adds value for the key users of our reports.			
Percentage of audit committee chairs who find our financial audits add value	91%	91%	90%
Percentage of parliamentary committee members who find our performance audits add value	N/A[1]	96%	90%
Percentage of board chairs who find our special examinations add value	N/A[2]	N/A[2]	90%
Our work adds value for the organizations we audit.			
Percentage of Crown corporation and large-department senior managers who find our financial audits add value	85%	88%	80%
Percentage of departmental senior managers who find our performance audits add value	79%	75%	70%
Percentage of Crown corporation chief executive officers who find our special examinations add value	N/A[2]	N/A[2]	80%
Key users of our reports are engaged in the audit process.			
Number of parliamentary hearings and briefings we participate in	29	27	Maintain or Increase[3]
Percentage of hearings and briefings relative to sitting days	28%	21%	Maintain or Increase[3]
Percentage of performance audits reviewed by parliamentary committees	48%[4]	30%	Maintain or Increase[3]
Key users of our reports and the organizations we audit respond to our findings.			
Percentage of qualifications and "other matters" that are addressed from one financial audit to the next	52%[5]	61%	100%
Percentage of recommendations examined in our follow-up audits where progress has been assessed as satisfactory	62%[6]	72%	75%
Percentage of significant deficiencies that are addressed from one special examination to the next	N/A[7]	100% (2 of 2)	100%

[1] There was no survey of parliamentarians in the 2011–12 fiscal year.

[2] Due to the small number of respondents, percentage results are not presented. The feedback we have received has been positive and consistent with our targets.

[3] There is no numeric target for these indicators. Instead, the target is to maintain the percentage of parliamentary hearings and briefings we participate in, relative to the number of sitting days, and to maintain the percentage of audits reviewed by parliamentary committees.

[4] We reported 43% in our 2011–12 Performance Report. Since then, an additional chapter for the 2011–12 fiscal year was reviewed by a committee, raising the percentage to 48%.

[5] In completing our financial audits in the 2012–13 fiscal year, we found that 11 of the 18 qualifications and "other matters" contained in our 2011–12 financial audit opinions had been addressed by the organizations we audited.

[6] Refers to findings reported in the most recent Status Report of the Auditor General of Canada, tabled in June 2011.

[7] No special examinations completed in the 2011–12 fiscal year had previously identified significant deficiencies.

Indicator Table 2—Summary of our organizational performance

Objectives and indicators	2011–12 Actual	2012–13 Actual	2012–13 Target
Our work is completed on time			
Percentage of financial audits completed on time:[1]			
• federal Crown corporations with statutory deadlines	98%	96%	100%
• other federal organizations with statutory deadlines[2]	91%	91%	100%
• federal organizations with no statutory deadlines	93%	93%	80%
• territorial organizations	56%	83%	60%
Percentage of performance audit reports completed by the planned tabling date as published in the Report on Plans and Priorities	88%	100%	90%
Percentage of special examination reports delivered on or before the statutory deadline	100% (2 of 2)	100% (3 of 3)	100%
Our work is completed on budget			
Percentage of audits completed on budget:[3]			
• Financial audits—federal Crown corporations	80%	84%	80%
• Financial audits—other federal organizations with statutory deadlines	57%	91%	80%
• Financial audits—federal organizations without statutory deadlines	79%	100%	80%
• Financial audits—territorial organizations	59%	81%	80%
• Performance audits	84%	69%	80%
• Special examinations	100% (2 of 2)	100% (3 of 3)	80%
Our audit reports are reliable			
Percentage of internal practice reviews that found the opinions and conclusions expressed in our audit reports were appropriate and supported by the evidence	100% (11 of 11)	100% (14 of 14)	100%
External peer reviews find our quality management frameworks are suitably designed and operating effectively	N/A[4]	N/A[4]	Yes
We provide a respectful workplace			
Percentage of employees who believe the Office is an above-average place to work	N/A[5]	83%	80%
Percentage of management who meet our language requirements:			
• Auditor General, assistant auditors general, and principals	84%	84%	100%
• directors	78%	79%	75%

Indicator Table 2—Summary of our organizational performance (continued)

Objectives and indicators	2011–12 Actual	2012–13 Actual	2012–13 Target
Percentage representation relative to workforce availability for			
• women	120%[6]	123%	100%
• people with disabilities	98%[6]	98%	100%
• Aboriginal peoples	117%[6]	104%	100%
• members of visible minorities	81%[6]	107%	100%
Percentage retention of audit professionals	89%	92%	90%

[1] "On time" for financial audits means the statutory deadline where one exists (usually 90 days after the year-end), or 150 days after the year-end where no statutory deadline exists.

[2] The National Battlefields Commission is excluded from this calculation, as its statutory deadline is only 60 days after the year-end.

[3] "On budget" means that the actual hours to complete an audit did not exceed the budgeted hours by more than 15 percent.

[4] There was no external peer review in the 2011–12 or 2012–13 fiscal year.

[5] There was no employee survey in the 2011–12 fiscal year. In the 2012–13 fiscal year, a short employee survey was conducted.

[6] Prior year data has been restated to correct the 2010–11 data erroneously reported as 2011–12 data.